

Message Text

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OMB-01 AEC-11 DODE-00 FEA-02 FPC-01 H-03 INT-08 L-03

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P R 222241Z MAY 74

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TO SECSTATE WASH DC PRIORITY 2793

INFO AMEMBASSY THE HAGUE

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C O N F I D E N T I A L SECTION 01 OF 03 OECD PARIS 12534

E.O. 11652: GDS

TAGS: ENRG, OECD

SUBJECT: ENERGY: MEETING OF OECD AD HOC GROUP ON
APPORTIONMENT OF OIL SUPPLIES IN AN EMERGENCY,
MAY 20-21, 1974

REF: A) OECD DOC DIE/E/PE/73.135; B) USOECD 7618

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1. SUMMARY. OECD AD HOC WORKING GROUP ON OIL SHARING MEETING MAY 20-21 COMPLETED REPORT ON EMERGENCY OIL APPORTIONMENT SCHEME FOR SUBMISSION TO OIL COMMITTEE. PREFERRED ALTERNATIVE BASES FOR SHARING REMAINED AS AGREED BY GROUP IN MARCH MEETING I.E., (1) MIX OF IMPORT SHARING, ESSENTIAL NEEDS AND OIL CONSUMPTION SHARING, (2) ARITHMETIC MIX OF OIL CONSUMPTION AND IMPORT SHARING, (3) SHARING ON IMPORT BASIS WITH LIMITS ON CONSUMPTION CUTS, AND (4) VITAL NEEDS. GROUP AGREED THAT TRIGGER MECHANISM SHOULD BE AS AUTOMATIC AS POSSIBLE BUT CONSIDERED A FULLY AUTOMATIC SYSTEM UNACCEPTABLE FOR PRACTICAL AND POLITICAL REASONS. THERE WAS AGREEMENT THAT IN THE SECOND, OR "DETAILED INFORMATION GATHERING," STAGE OF APPORTIONMENT SCHEME OECD SECRETARIAT ASSISTED BY EXPERTS AND GEOGRAPHIC BLOC REPS WOULD MONITOR SITUATION CLOSELY AND REPORT TO OIL COMMITTEE. AT APPROPRIATE TIME, IIAB WOULD BE ACTIVATED AND WOULD WORK UNDER OIL COMMITTEE'S DIRECTION. QUESTIONS RAISED AS TO POSSIBLE CONSTRAINTS UNDER ANTITRUST LAWS ON U.S. COMPANIES RE PROVIDING DATA. U.S. DEL EXPLAINED PROBLEM NOTING POSSIBLE ARRANGEMENTS FOR U.S. COMPANIES TO COOPERATE IN PROVIDING DATA ABSENT SPECIFIC STATUTES. REPORT PROVIDES THAT MEMBERS WILL ENDEAVOR TO FACILITATE DATA SUPPLY IN SECOND STAGE OF SCHEME. U.S. DEL ABLE TO STRENGTHEN REFERENCES IN REPORT TO INTERRELATIONSHIPS BETWEEN APPORTIONMENT SCHEME AND OTHER ELEMENTS OF INTERNATIONAL COOPERATION IN ENERGY EMERGENCIES. HOWEVER, FRENCH, EC REP, JAPAN AND CHAIRMAN (VAN RIJN) OBJECTED TO INCLUSION IN REPORT OF A SPECIFIC COMPREHENSIVE BASIS (INTEGRATED EMERGENCY PACKAGE) FOR MEETING OIL SHORTAGES, AS HAD BEEN PROVIDED BY RAPPORTEUR (BENNSKY). CANADA FAVORED, AND NORWAY STRONGLY URGED INCLUSION THIS BASIS IN REPORT; WHEN COMPROMISE PARAGRAPH PREPARED BY U.S. DEL AGREED TO BY GROUP NORWEGIAN REP STATED THAT ON BASIS INSTRUCTIONS HE WOULD HAVE TO RESERVE GON'S POSITION ON THIS MATTER. END SUMMARY

2. BASES FOR SHARING: OF THE FOUR PREFERRED
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ALTERNATIVE BASES LISTED IN THE GROUP'S REPORT, THE COMBINATION OF IMPORT SHARING, ESSENTIAL NEEDS AND CONSUMPTION SHARING IS THE ONLY ONE AMONG THE PREFERENCES OF ALL DELEGATES. IT NOTEWORTHY, HOWEVER, THAT JAPANESE CONTINUE PREFER SIMPLE APPROACH, SUCH AS ARITHMETIC MIXING OF IMPORT AND CONSUMPTION SHARING, IN HOPES THAT THIS WILL RESULT IN EARLIER AGREEMENT ON APPORTIONMENT SCHEME. THE NORWEGIAN AND CANADIAN

(PARTICULARLY FORMER WHO UNDER INSTRUCTIONS SEEK GET IT
IN REPORT) SUPPORTED THE RAPPORTEUR'S (BENNSKY'S)
SUGGESTION OF A COMPREHENSIVE BASIS FOR SHARING, IN
WHICH MEMBER COUNTRIES WOULD BE REQUIRED TO RESTRAIN
ENERGY DEMAND, BUILD UP STANDBY DOMESTIC PRODUCTION,
AND DRAW ON STOCKS BEFORE MOVING INTO SHARING OF
AVAILABLE OIL. CHAIRMAN (DUTCH), FRENCH, EC COMMISSION
AND JAPANESE DELEGATES DID NOT THINK THIS NEW AND
COMPLICATED CONCEPT SHOULD BE INCLUDED. EUROPEANS
FOUND INTEGRATED CONCEPT UNACCEPTABLE ON GROUNDS THAT
THEIR EXPERIENCE NOT GOOD WITH ATTEMPTING PACKAGE DEALS
AND ALONG WITH JAPANESE THOUGHT IT WOULD ONLY DELAY OR
PREVENT AGREEMENT ON SHARING. IN END, WE ABLE
STRENGTHEN SEVERAL SECTIONS OF REPORT ON INTER-
RELATIONSHIP OF SHARING WITH OTHER ELEMENTS INTERNATIONAL
EMERGENCY COOPERATION IN EXCHANGE FOR DROPPING THE

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SPECIFIC COMPREHENSIVE IDEA.

3. TRIGGER MECHANISM: GROUP AGREED THAT TRIGGER SHOULD BE AS AUTOMATIC AS POSSIBLE, BUT CONSIDERED A FULLY AUTOMATIC SYSTEM UNACCEPTABLE FOR PRACTICAL AND CONFIDENTIAL

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POLITICAL REASONS. WITH EXCEPTION NORWAY, WHICH FAVORED NON-AUTOMATIC OPTION, GROUP FAVORED THE SEMI-AUTOMATIC OPTION. THIS APPEARS REPRESENT A CHANGE IN FRENCH ATTITUDE, WHICH HAD SUPPORTED NON-AUTOMATIC SYSTEM. GROUP ALSO CLARIFIED TO SOME EXTENT HOW SHORTFALL FOR TRIGGER MECHANISM WOULD BE DETERMINED AND PROCEDURES FOR IMPLEMENTATION.

4. DATA GATHERING AND ROLE OF COMPANIES: DATA COLLECTION AND PARTICULARLY NEED FOR COMPANIES, AS WELL AS GOVERNMENTS, TO PROVIDE INFO TO OECD ON CONTINUING BASIS WAS DISCUSSED AT LENGTH. MEMBERS EXPRESSED STRONG INTEREST IN HAVING ALL RELEVANT INFO, E.G., SUPPLY, DISTRIBUTION PATTERNS AND DEMAND, SUBMITTED DURING NORMAL SITUATIONS IN ORDER TO BUILD SOUND DATA BASE FOR USE DURING SECOND AND THIRD STAGES OF SCHEME. QUESTION AROSE ON EXTENT U.S. COMPANIES COULD COOPERATE IN PROVIDING RELEVANT INFO IN EACH STAGE. EUROPEAN AND JAPANESE DELEGATES REMAIN VERY CONCERNED THAT INFORMATION REQUIRED TO MAKE APPORTIONMENT SCHEME EFFECTIVE WILL NOT BE FORTHCOMING FROM COMPANIES DUE TO LACK COMPULSION BY USG. DRAWING ON PARA 7, STATE 102877, U.S. REP EXPLAINED CONSTRAINTS WHICH ANTITRUST LAWS COULD POSE FOR U.S. COMPANIES, NOTING THAT THERE WAS LITTLE IF ANYTHING USG COULD DO TO COMPEL COMPANIES TO PROVIDE DATA UNDER NORMAL CIRCUMSTANCES. CHAIRMAN, FRENCH REP AND REINFRANK URGED U.S. DEL TO SPECIFY SITUATIONS WHERE USG COULD INSURE THAT OUR COMPANIES WOULD PROVIDE NEEDED INFO AND, IN THIS CONNECTION, CASES WHERE JUSTICE DEPARTMENT "CLEARANCE" COULD ENABLE

COMPANIES TO COOPERATE WITH IMPUNITY. U.S. DEL EXPLAINED THAT JUSTICE CANNOT GRANT EXEMPTION FROM ANTITRUST LAWS UNLESS SOME SPECIFIC LEGISLATIVE PROVISION, LIKE THAT IN DEFENSE PRODUCTION ACT, MADE ALLOWANCE THEREFOR. IT CONCEIVABLE THAT COMPANIES COULD SEEK FROM JUSTICE AND POSSIBLY OBTAIN BUSINESS REVIEW LETTER PERMITTING THEIR PARTICIPATION IN OECD DATA COLLECTION ACTIVITY. EVEN IF LETTER GRANTED, IT WOULD ONLY BE STATEMENT OF INTENT BY JUSTICE THAT IT CONTEMPLATED NO PRESENT ACTION UNDER ANTITRUST LAWS AND NOT EXEMPTION THEREFROM. US DEL STRESSED LIKELIHOOD
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THAT COMPANIES' OWN COUNSEL WOULD BE CAUTIOUS ON COMPANY PARTICIPATION IN DATA COLLECTION EXERCISE AND, WITHOUT CLEAR LEGISLATION, USG WOULD BE LIMITED IN EXTENT TO WHICH IT COULD PERSUADE COMPANIES TO PARTICIPATE. IT WAS FOR THIS REASON THAT US REP HAD SUGGESTED POSSIBILITY THAT INDIVIDUAL COMPANIES WOULD PROVIDE DATA DIRECTLY TO OECD OR THROUGH USG, E.G., FEA. AT CLOSE DISCUSSION, CHAIRMAN SUGGESTED THAT REPORT CONTAIN SOME INDICATION THAT, IN DETAILED DATA COLLECTION STAGE, INFO WOULD BE SUBMITTED BY GOVERNMENTS AND COMPANIES WITH GOVERNMENTS ACTING AS INTERMEDIARIES TO ASSURE INFO IS PROVIDED.

5. MANAGEMENT CENTER: EC COMMISSION (BRONDEL) PROPOSAL TO ESTABLISH AN AD HOC ADVISORY GROUP DURING SECOND PHASE (DETAILED DATA GATHERING) OF IMPENDING CRISIS, WITH MEMBERS SELECTED FROM SECRETARIAT, THE PROVISIONAL BLOCS AND THE INDUSTRY, MET WITH RESERVATIONS FROM SEVERAL DELEGATIONS AS BEING EITHER UNNECESSARY OR UNWIELDY. IT WAS AGREED, HOWEVER, THAT DURING THIS PHASE SECRETARIAT SHOULD ASSEMBLE DATA WITH ASSISTANCE OF OUTSIDE SPECIALISTS AND IN CLOSE LIAISON WITH REPRESENTATIVES OF THE GEOGRAPHICAL BLOCS.

6. PRICES: DISCUSSION ON PRICES FOCUSED ON JAPANESE CONCERN THAT DURING PERIODS OF SUPPLY SHORTAGE, PRICE IMPACTS MAY BE UNEQUALLY DISTRIBUTED AMONG CONSUMING NATIONS. FRANCE AND EC SUPPORTED JAPANESE IN INCLUDING IN REPORT WORDING TO EFFECT THAT ANY APPORTIONMENT SCHEME SHOULD INHIBIT TO DEGREE POSSIBLE PRICE AND CRUDE MIX DISTORTIONS. JAPANESE EFFORT TO INTRODUCE CONCEPT OF ESTABLISHING GUIDELINES BY WHICH THE IIAB AND OIL COMPANIES SHOULD DETERMINE PRICE POLICIES WAS IN THE END DROPPED AS UNACCEPTABLE TO SEVERAL DELEGATIONS, INCLUDING THE NETHERLANDS AND US.

7. BUNKERS: US SUGGESTED THAT, WHILE INTERNATIONAL

AVIATION FUELS AND SHIPS BUNKERS ARE IMPORTANT, THERE

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ARE OTHER NATIONAL PRIORITIES FOR ALLOCATION THAT WOULD
HAVE TO BE TAKEN INTO CONSIDERATION. OTHER DELEGATIONS
AGREED THAT THIS SHOULD BE CLARIFIED IN REPORT AS

SHOULD THE IMPORTANCE OF TRADITIONAL TRADING PATTERNS IN
THESE FUELS, A SUBJECT OF PARTICULAR CONCERN TO THE
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JAPANESE. THE GROUP CONCLUDED THAT THE REPORT SHOULD
TAKE NOTE OF THE RECOMMENDATIONS WHICH THE COUNCIL
MADE ON THIS SUBJECT DURING THE LAST CRISIS, AND THAT
THEY BE ANNEXED TO THE REPORT.

8. NON OECD MEMBER PARTICIPATION: OECD SECRETARIAT
(LEGAL) MADE PRESENTATION ON THIS QUESTION, EXPLAINING
THAT, AS LEGAL MATTER, OECD CONVENTION (PARTICULARLY
ARTS. 5 AND 12) FLEXIBLE ENOUGH TO PERMIT NON-MEMBERS
TO PARTICIPATE IN AN OIL-SHARING SCHEME. INFORMAL
CONTACTS BETWEEN OECD AND NON-MEMBERS NOT UNUSUAL AS
EVIDENCED BY DEVELOPMENT ASSISTANCE COMMITTEE (DAC)
ACTIVITIES. COUNCIL COULD ALSO, FOR EXAMPLE, INVITE
NON-MEMBERS TO ATTEND MEETINGS AND EXCHANGE INFORMATION.
CONSTRAINTS TO NON-OECD MEMBER PARTICIPATION IN
APPORTIONMENT SCHEME WOULD BE PRINCIPALLY POLITICAL.
IN ADDITION, ULTIMATE DECISION-MAKING POWER IN
ORGANIZATION LIES WITH COUNCIL, AND THIS COULD NOT BE
DELEGATED TO SUBSIDIARY BODY WHICH INCLUDED NON-OECD
MEMBER. GENERALLY, SECRETARIAT REP INDICATED HIS VIEW
THAT COUNCIL WOULD APPROACH PROSPECT OF INCLUDING NON-
MEMBERS IN APPORTIONMENT CAUTIOUSLY. IN LIGHT THESE
REMARKS, GROUP AGREED THAT QUESTION OF NON-MEMBER
PARTICIPATION SHOULD REMAIN OPEN UNTIL MEMBERS THEMSELVES
AGREE ON SHARING PLAN.
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